



WEEKLY ECONOMIC DIGEST

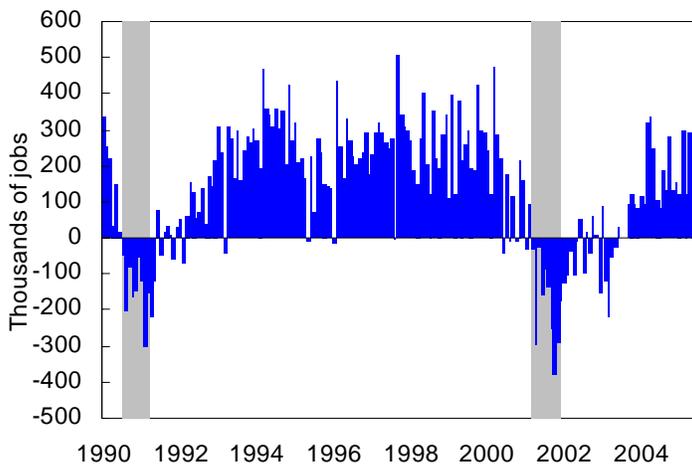


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

July 12, 2005

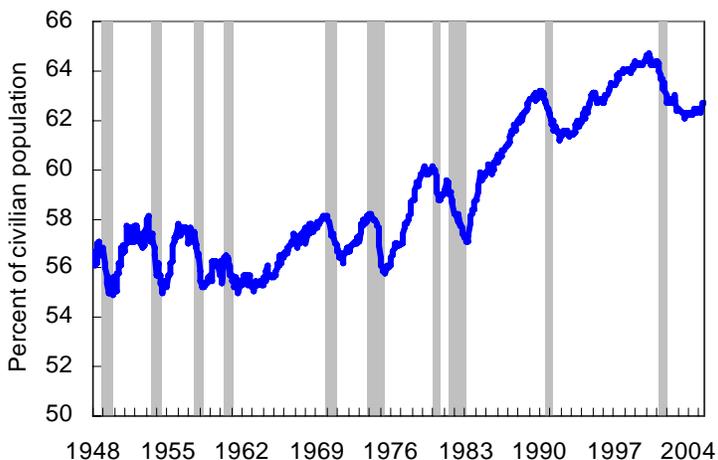
Job Market Plods Along

Monthly Change in Nonfarm Payroll
Employment, January 1990 to June 2005



Source: Bureau of Economic Analysis, U.S. Department of Labor.

Civilian Employment-to-Population Ratio



Source: Bureau of Labor Statistics, U.S. Department of Labor and National Bureau of Economic Research.

Note: Gray areas indicate periods of recession as defined by the National Bureau of Economic Research.

- **Payroll growth fell short of expectations last month.**

Nonfarm payroll employment grew by 146,000 jobs in June. That increase was larger than May's gain, which was revised up to 104,000 jobs, but it was lower than the 175,000 to 200,000 jobs that financial markets were expecting. Last month's gain was close to the average monthly increase of 148,000 jobs since May 2003, when payroll employment bottomed out. That pace is probably enough to keep up with normal growth in the labor force, but it is well below the pace of job creation typically seen in a strong economic recovery (see top chart). Manufacturing was a weak spot, with factory payrolls declining by 24,000 jobs in June, bringing the total loss since last August to 96,000 jobs.

- **The unemployment rate edged down as labor-force participation remained low.**

The civilian unemployment rate declined by 0.1 percentage point to 5.0 percent. However, the labor-force participation rate (the fraction of the population who are either working or actively looking for work) slipped 0.1 percentage point to 66.0 percent, 1.2 percentage points below its level at the start of the recession. The fraction of the population with a job was unchanged at 62.7 percent in June, 1.6 percentage points below its level at the start of the recession. This is the first postwar expansion in which, after 43 months, the employment-to-population ratio was still below its level at the official start of the economic recovery (see bottom chart).

- **Earnings posted a modest gain in June.**

The hourly earnings of production or nonsupervisory workers on private nonfarm payrolls rose by 0.2 percent last month, the same as in May. This week's data on June consumer price inflation is likely to be in that same range, which means that real earnings showed little or no growth.

The Economy at a Glance	Jun	May	Apr	Mar	2005 Qtr 2	2005 Qtr 1	2004 Qtr 4	2004 Qtr 3	2004	2003
Economic Activity										
Real GDP (% growth)	—	—	—	—	n.a.	3.8	3.8	4.0	4.4	3.0
Industrial Production (% growth)*	n.a.	4.9	-3.5	2.4	n.a.	3.5	4.5	2.7	4.2	0
Capacity Utilization (level, %)*	n.a.	79.4	79.1	79.4	n.a.	79.3	78.8	78.2	78.1	75.5
Civilian Unemployment Rate (level, %)	5.0	5.1	5.2	5.2	5.1	5.3	5.4	5.5	5.5	6.0
Housing Starts (thousands)	n.a.	2009	2005	1833	n.a.	2083	1973	1974	1950	1854
Real Disposable Personal Income (% growth)	n.a.	1.6	0.6	0.2	n.a.	3.1 [#]	6.0 [#]	2.9	3.4 [#]	2.3
Retail Sales (% growth)*	n.a.	-5.8	20.2	3.9	n.a.	6.0	10.2	6.7	7.3	4.3
Personal Saving Rate (level, %)	n.a.	0.6	0.5	0.6	n.a.	0.9	1.1 [#]	0.7	1.0 [#]	1.4
Inflation & Productivity										
CPI-U Inflation, all items (% growth)*	n.a.	-1.2	6.2	7.4	n.a.	2.4	3.6	1.6	2.7	2.3
Core CPI-U Inflation (% growth)*	n.a.	1.2	0	4.9	n.a.	2.6	2.3	1.7	1.8	1.5
Employment Cost Index (% growth)	—	—	—	—	n.a.	2.4	4.1	4.1	3.9	4.0
Output per Hour (% growth)	—	—	—	—	n.a.	2.9	2.3	0.9	4.0	4.3
Financial Markets										
T-bill Rate, 3-month (level, %)	2.97	2.84	2.78	2.74	2.86	2.54	2.01	1.49	1.37	1.01
T-note Rate, 10-years (level, %)	4.00	4.14	4.34	4.50	4.16	4.30	4.17	4.30	4.27	4.01
Federal Funds Rate (level, %)	3.04	3.00	2.79	2.63	2.94	2.47	1.95	1.43	1.35	1.13
Dow Jones Industrial Avg (index level)	10487	10377	10283	10682	10382	10648	10362	10130	10317	8994

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. The Employment Cost Index is for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

n.a. Denotes that data are not yet available.

* Subject to revision over the next week.

Adjusted by the JEC staff to exclude the temporary effects of Microsoft's special dividend payment in December 2004.

Upcoming Economic Releases:

- **U.S. Import and Export Price Indexes: June 2005** [Release: Wednesday, July 13]
- **U.S. International Trade in Goods and Services: May 2005** [Release: Wednesday, July 13]
- **Monthly Treasury Statement of Receipts and Outlays of the U.S. Government: June 2005** [Release: Wednesday, July 13]
- **Consumer Price Index: June 2005** [Release: Thursday, July 14]
- **Producer Price Indexes: June 2005** [Release: Friday, July 15]
- **Industrial Production and Capacity Utilization: June 2005** [Release: Friday, July 15]